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Of Two Minds - The Elites' Battle for the Future America

charles hugh smith : 8-10 minutes

No nation can produce less of lesser quality, and squander more on infinitely greedy and corrupt elites, all funded by issuing trillions of new units of currency, and imagine that this asymmetry will never have consequences.

As I have often noted, historian Michael Grant identified *profound political disunity* in the ruling class as a key cause of the dissolution of the Roman Empire. Grant described this dynamic in his excellent account [The Fall of the Roman Empire](#), a book I have been recommending since 2009.

I've been writing about the fractures in America's ruling elites for many years, as well as the erosion of the foundations of society that lead to systemic collapse, for example, [Collapse, Part 2: The Nine Dynamics of Decay](#) (June 2015), [Going to War with the Political Elite You Have](#) (May 14, 2007) and [The Conflict within the Deep State Just Broke into Open Warfare](#) (March 10, 2017)

America's elites are fracturing along multiple tectonic fissures: while the conventional media focuses on the ginned-up *bread and circuses* of Red and Blue political games (i.e., *The Purple Empire*), the real conflicts are within the camps running the Red and Blue games, the *Imperial Project* of global hegemony (a.k.a. The Deep State), the *New Nobility* of Big Tech attempting to overthrow the *Old Nobility*, the Nationalists versus the Globalists and the *Financial Gamesters* versus *The New Foundation*.

These are my informal acronyms, of course, but the conflicts are real and intensifying as extreme policies reach new extremes and the risks of breakdown increase.

The most dangerous elites are the ones clinging to the perverse but compelling faith that the Federal Reserve and Treasury can conjure endless trillions of U.S. dollars without any consequence other than continued global hegemony, the

faith that the Federal Reserve has god-like powers to tweak the dials so that 1) the U.S. dollar remains the pre-eminent reserve currency 2) but not so strong that it sinks the emerging market economies and 3) magical enough that there are no limits on how many can be absorbed by global stock, bond, debt, risk and commodity markets and 4) remains the primary method of limiting the global financial leverage of geopolitical rivals. Uh, sure. No problem, the Fed is all-powerful, right?

The fundamental problem for the *Imperial Project* is the dollar must serve both the domestic elites profiting from Federal Reserve expansion of asset bubbles and the global markets that rely on a stable dollar for reserves, credit and transactional liquidity. While America's billionaires are cheering the Fed's endless largesse to the already wealthy, those tasked with maintaining hegemony are looking ahead and seeing the debauchery of the U.S. dollar as the Fed and Treasury spew trillions, very little of which is actually flowing into productive investments, i.e. the ultimate foundation of hegemony.

It's instructive to observe the institutional symmetries between the Federal Reserve and its elite backers and the Soviet agencies which oversaw Chernobyl, a history illuminated in [Chernobyl: The History of a Nuclear Catastrophe](#).

It seems the only agency with a comprehensive grasp of the Soviet nuclear power industry was the KGB, which had sources within every nook and cranny of the state, economy and society. State secrets were protected to the point that even political elites did not have access to the potential for failure and the consequences of failure.

Just as in the final throes of Imperial collapse in the Soviet Union, nobody seems to be in charge in the U.S. It's difficult to tell if incompetence is now the default setting everywhere in the American State or if there are a couple of competing chess games being played behind the curtain. When failure is so absolute, incompetence alone doesn't seem quite up to the task. Perhaps failure received a nudge. After all, the cliff edge is already crumbling and it doesn't take much to help a rival lose their footing.

As I have argued recently, inflation is not transitory; the trends have reversed and inflation is now embedded via two

fundamental dynamics: the endless trillions being created out of thin air by the Fed and Treasury are not increasing the productivity or resilience of the U.S. economy; rather they are fatally weakening the economy and society by institutionalizing soaring wealth-income-power inequality, and 2) globalization's increase of global supplies and optimization of global supply chains has reversed; scarcities can no longer be filled by exploiting another developing-economy via neocolonial-neoliberal pillage. That oh-so-profitable game is over, but few believe it's possible: isn't there always another place and people to pillage?

The warring elites will have to choose an economic side soon:

either go with the Fed's plan for an ever-more unequal future America in which inflation stripmines the bottom 90% while the technocrat class and its billionaire owners become ever-wealthier and the world loses confidence in the predictability of the U.S. dollar's value, or the debt and *phantom capital* of the Fed's sand castles are wiped away and the dollar is re-anchored to the nation's economic foundations of improving productivity via newly enforced competition, transparency and accountability and the resilience of a reshored industrial base.

Hopefully America's equivalents of the KGB have an equivalently sound grasp of just how prone to failure

America's financial fantasy has become. No empire can survive the debauchery of its currency, for the empire's power flows not from hard power (military) or soft power (cultural influence) but from the currency that funds both hard and soft power.

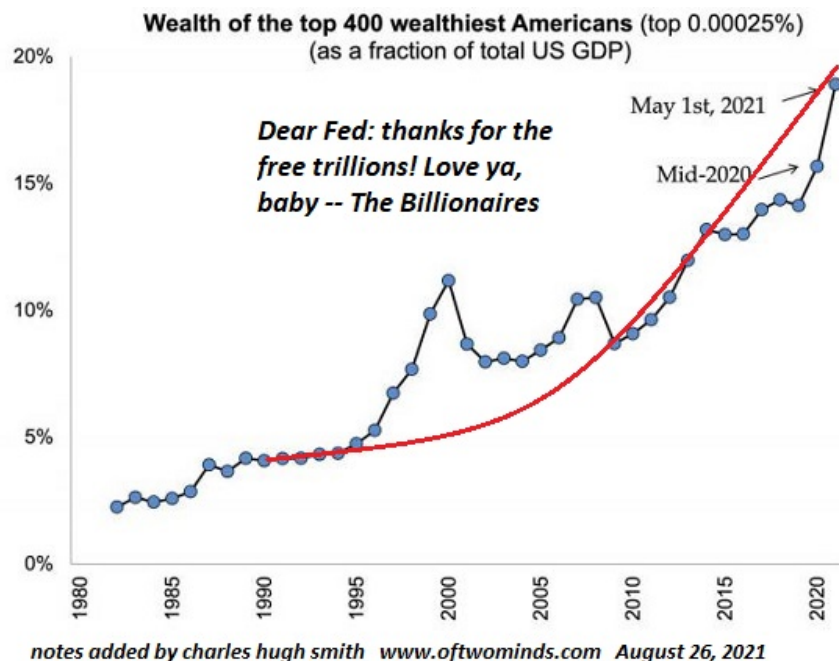
There is no win-win at this late date: one elite will lose, and America will itself be lost if those debauching the dollar are allowed to win. The rationalizations are as absurd and extreme as the policies: as long as the trillions flow into the assets owned by billionaires, there can't be any inflation, and so on, an endless spew of excuses by those profiting from the debauchery of the dollar.

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It's not yet clear that there is any leadership left in America.

What's playing on stage are warring camps of self-interested elites

fighting to secure their power even as the foundations crumble beneath their feet.



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